

Message Text

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ACTION EUR-25

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C O N F I D E N T I A L USNATO 3212

E.O. 11652: GDS

TAGS: ECON, NATO

SUBJECT: ECONADS: JUNE 6 MEETING ON RECENT DEVELOPMENTS IN COMECON

REF: A) USNATO 3039; B) STATE 118539; C) MOSCOW 8500

1. ECONADS, REINFORCED BY EXPERTS FROM DENMARK, FRANCE, FRG, NORWAY, AND UK, MET JUNE 6 TO CONSIDER RECENT DEVELOPMENTS IN COMECON. DISCUSSION CENTERED AROUND BACKGROUND DOCUMENTS PREPARED BY UK (AC/127-D/483) AND FRG (AC/127-D/484) AND DISCUSSION OUTLINE PREPARED BY ECONOMIC DIRECTOR (REF A). EXCHANGE OF VIEWS CONCENTRATED PRIMARILY ON BENEFITS AND DISADVANTAGES OF COMECON MEMBERSHIP FOR EE COUNTRIES, DEGREE OF ECONOMIC INTEGRATION ACHIEVED, EFFECTS OF WESTERN INFLATION AND RAW MATERIAL PRICE INCREASES ON COMECON PRICING SYSTEM, AND SIGNIFICANCE OF SPECIALIZATION AND JOINT VENTURES WITHIN COMECON.

2. DANISH, NORWEGIAN, FRENCH, AND UK EXPERTS ALL TOOK EXCEPTION TO IMPLICATION IN FRG PAPER THAT SOVIETS USE COMECON PRIMARILY AS A MEANS TO EXPLOIT EE SATELLITES. IN THEIR VIEW EE COUNTRIES (AT LEAST IN RECENT YEARS) HAVE BENEFITED FROM ASSURED MARKETS FOR INFERIOR MANUFACTURED GOODS, ASSURED ACCESS TO NEEDED RAW MATERIALS, AND FAVORABLE TERMS OF TRADE IN DEALING WITH USSR. WEAKENING OF
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COMECON TIES WOULD IN FACT CAUSE SEVERE ECONOMIC ADJUSTMENT PROBLEM IN ALL EE COUNTRIES.

3. ALL AGREED CONSIDERABLE INTEGRATION ACHIEVED IN TRADE BUT THAT

PRESENT GROWTH OF INTRA-COMECON TRADE IS NOT IMPRESSIVE. BROADER ECONOMIC INTEGRATION SEEMS LIMITED MOSTLY TO ARMAMENTS INDUSTRY, TRANSPORTATION, AND COMMUNICATIONS.

4. ALL AGREED INCREASING WORLD PRICES OF RAW MATERIALS AND HIGHER INFLATION RATES IN THE WEST WOULD UPSET STABILITY IN PRICES WITHIN COMECON AND WOULD PROBABLY LEAD TO REVAMPING OF PRESENT FIVE-YEAR PRICE ADJUSTMENT PROCEDURE. US ECONONAD DREW ON REF C AND OTHER REPORTING FROM EMBASSY MOSCOW TO MAKE POINT THAT DISCUSSION AND ARGUMENT PROBABLY ACCELERATING REGARDING INTRODUCTION OF MORE RATIONAL, REALISTIC PRICING SYSTEM.

5. FOLLOWING SOME DISCUSSION ON SPECIFIC AREAS WHERE COMECON HAS PROGRESSED TOWARD SPECIALIZATION ON THE ONE HAND AND JOINT VENTURES ON THE OTHER, ECONOMIC DIREFTOR REQUESTED DELEGATIONS TO SEEK INFORMATION ON SIGNIFICANCE OF THESE TRENDS IN TERMS OF SHARE OF PRODUCTION CAPACITY OF COMECON MEMBER COUNTRIES.

6. ACTION REQUESTED. MISSION WOULD APPRECIATE US ASSESSMENT OF QUESTION RAISED PARAGRAPH 5 ABOVE. RUMSFELD

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